

AN INTERACTION ANALYSIS AND ASSESSMENT OF RISK PERCEPTION, EQUITY INVESTMENT AND FINANCIAL INFORMATION AWARENESS

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ABSTRACT

The Investment decision of investors is subjective considering their dependence on various factors such as socio-demographic variables, risk perception, objectives, and financial information awareness. Behavioral finance molds the traditional definition of risk which implies deviation from actual return with the perception towards the risk which tends to vary from one individual to another. Risk perception plays an important role in determining investment choice. The study attempts to identify the prominent factors having impact on the risk perception of individual investors of Sikkim with the help of Factor Analysis. Primary data consisting of 250 individuals were collected by self-survey method. There are four factors influencing the risk perception namely, Risk Opportunist, Overconfident Risk Bearer, Unrealistic Anticipator, and Cognizant Pursuer. Binary logistic regression further enabled to understand their impact on the investment preference towards the equity shares. The study revealed a significant and positive

relationship between risk perception and financial information awareness.

Keywords: Risk Perception, Financial Information Awareness, Equity Shares, Binary Logistic Regression

INTRODUCTION

An investment decision involves a complex process of selecting the most appropriate option among the various investment alternatives. Investment decisions tend to vary from one individual to another under the influencing factors (Riffin & Ahmad, 2012).

As opposed to the traditional financial theory, behavioral finance argues that investors are prone to irrational and limited decision-making tendencies. The uncertainty arises in the financial markets on account of psychological attributes such as recognition and emotion biases (Bikas et al., 2013). Risk Perception reflects the extent to which an individual is intimidated by the risks associated with financial instruments. It is greatly influenced by personal sentiments such as concerns or experience. These perceptions which act as sensory organs then govern an

individual to take relevant actions with respect to investment decisions.

Kahneman and Tversky (1979) gave a new insight into behavioral finance through the introduction of the Prospect theory. The theory entails that the pain felt by people from incurring a loss is stronger than the pleasure experienced from an equal amount of gain. Thus human behavior is prone to risk aversion based on the situation. There lies a vast disparity in the risks displayed by investment instruments and risks perceived by individuals. Since the behavioral traits of an individual vary from person to person, so does the risk perception towards the various investment schemes. Analysis of the risk perception of the investors relative to their investment decision forms an integral part of the proposed study. Since the concept of the investment itself is founded on the existence of the significant relationship between risks and return. Hence, the proposed study simply attempts to take a step forward by probing into the arena of risk perceptions withheld by the individual investors and their impact on the investment decision.

Research Questions

What are the factors that influence the risk perception of individual investors?

Do risk perceptions impact investment preferences?

Is financial information awareness related to risk perception?

LITERATURE REVIEW

Wong et al. (2018) attempted to measure the risk attitude of individuals with their retirement choices in Hong Kong and the United Kingdom.

The study revealed a significant difference in the choice of retirement products with risk-seeking individuals opting for high-end risk products while risk-averse individuals preferring less risky products. The risk attitudes of risk-neutral individuals was observed to be similar to the risk-averse individuals.

Ponmuthumari and Mathi (2019) also conducted a similar investigation on the impact of risk perception on investment preference in India. The study revealed high-risk tolerance among the mutual fund investors in comparison to Life Insurance Corporation (LIC) investors. Similar findings were reported by Aren and Zengin (2016) indicating preference of high-risk appetite towards equities, portfolio, and foreign exchange investment while risk aversion tends to deposit schemes.

Ullah, Rehman and Khattak (2017) also agreed that the investment preference of individual investors is based on the safety factor indicating their risk aversion towards products other than bank deposits and insurance.

Bondia, Biswal and Panda (2019) further supported the above findings by indicating the prevalence of the mental account bias involving categorization of the stocks in terms of safe and risky by the investors in the Indian stock market scenario.

Singh and Kaur (2018) also considered low risk and maturity as crucial in deciding investment in various financial products.

In disagreement with the above findings Hube, Palan and Zeisberger (2019) identified the probability of incurring the loss as the main driver influencing risk perception that not only affects the asset price and trading behavior in the financial market but also explains the

preference of investors towards the investment avenue promising guaranteed return.

Singh and Bhattacharjee (2019) on the other hand identified the various issues related with information, technical and fundamental nature in of the market having considerable influence on the risk perception of investors.

Sindhu and Kumar (2014) highlighted the factors influencing risk perception towards the mutual fund namely, the uncertainty of returns, financial assets know-how, loss aversion, diversification of portfolios, and seeking professional and investment guidance.

Abdeldayem (2015) unanimously consented to the significance of both quantitative and qualitative factors such as profitability, depression and economic well being in predicting risk perception.

Sarkar and Sahu (2018) revealed that the demographic variables, awareness, and perceived risk have a significant influence on the investment behavior of individual investors. Sulaiman (2012) emphasized the predicting ability of demographic variables concerning the financial risk tolerance of investors.

Similarly Krishna, Sultana and Reddy (2019) posit significant influence of the various demographic variables such as gender, income, educational qualifications, and knowledge level on the risk-taking ability.

Geetha and Vimala (2014) also maintained that the risk-taking capacity of investors in Chennai is significantly influenced by the demographic variables except for gender. Capital appreciation, affordability, and liquidity were considered as the most important determinants.

The study by Oehler, Horn and Wedlich (2018) revealed that subjective risk aversion

predicted better objective risk aversion than socio-demographic variables. The objective risk aversion of young adults increased with the increase in the monetary stake. However, the subjective risk aversion of women was found to be more risk-averse than the young adults.

Similarly, Razen et al. (2020) also posit that younger males exhibit a higher level of risk-taking behavior especially with monetary stakes hence are more involved in gambling compared to smoking. However, older aged individuals showed a high level of involvement in both the risky field behaviors of gambling and smoking.

Chavali and Mohanraj (2016) in agreement with previous findings observed the significance of age and occupation in risk perception. The results demonstrated the risk-averse nature of the majority of investors who preferred assured gain and smaller certain losses.

Chattopadhyay and Dasgupta (2015) observed a low level of risk tolerance among the aged and married individuals having children and dependents. Similarly, other socio-demographic variables such as gender, educational qualification, income, savings, returns from investment, and investment amounts demonstrated significant influence on the risk attitude of investors.

A similar study conducted by Deb and Singh (2016) among the bank employees in Tripura, reckoned an increase in the investment volume with the decrease in risk perception. Risk-averse investors usually avoided investment in mutual funds.

Atchyuthan and Yogendrarajah (2017) revealed that demographic variables are not related to awareness level.

However, Chaudhery (2017) contradicted by suggesting the significant difference between

gender concerning awareness. A significant association was also observed between awareness level and education except for the income level.

Kumar and Mankani (2017) posit that investors displayed higher awareness of bank deposits and insurance compared to mutual funds and equity shares.

Azhar et al. (2017) reported the crisis faced by the youth of Malaysia in terms of financial unawareness having a significant influence on the investment scenario.

Lusardi and Mitchell (2014) also confronted similar circumstances of inadequate financial knowledge among the investors in the United States of America, Germany, Switzerland, Italy, Sweden, and France. A major gender difference was observed with the male having better financial awareness compared to female investors.

Patil and Nandawar (2014) also agreed to similar findings in the Indian context with male investors comprehending better financial awareness over female investors.

Research Gap

Most of the past research work has focused only on the broader concept of behavioral finance as an important determinant of the investment decision. However, an investigation into the risk perceived by investors on an individual level has not been explored in-depth. Most of the studies assessing the fundamental and technical issues were subjugated as risk perception influencing the individual investors. The current study attempts to fill that gap by accounting for the attitude and psychological mindset of individuals under the investment scenario.

A review of past research papers reveals few contributions in the field of financial

information awareness and their implications on risk perception. The majority of the papers have theoretically suggested the significance of financial awareness in deconstructing the risk perception therefore; the current research study will attempt to empirically understand the relevance of these two variables.

Objectives

1. To identify the factors influencing the risk perception of individual investors of Sikkim.
2. To assess the impact of risk perception on the investment preference towards the equity shares.
3. To determine the relationship between financial information awareness of equity shares and risk perception

Hypothesis

HO: There is no significant relationship between the identified factors influencing risk perception of Sikkimese and their investment preference towards the equity shares.

HO: Financial information awareness of equity shares is not significantly associated to the risk perception of Sikkimese.

RESEARCH METHODOLOGY

The research will attempt to conduct a quantitative approach with the application of a questionnaire survey. A descriptive research method was utilized for approaching the research problem.

Data Source

Data sources comprised both primary and secondary data. Secondary sources involved consulting research articles, websites, reports, and websites.

Sample Size and Sampling Method

The sample size consisted of 250 Certificate of Identification Holders (COI) of Sikkim. Purposive sampling method was administered for collecting data based on field survey

Questionnaire Development and Statistical Technique

The first part of the questionnaire consisted of the demographic profile of respondents and their preference to select or deselect equity shares investment along with their level of financial information awareness of equity shares. The coding was 1 for unaware, 2 for less awareness, 3 for moderate awareness, 4 for aware, and 5 for high awareness.

The second part of the questionnaire comprised of questions assessing the risk perception. Eighteen variables were summarized after the extensive literature review on which a Likert scale was implemented. Strongly disagree

is represented by 1, disagree represented by 2, neither agree nor disagree represented by 3, agree represented by 4 and strongly agree represented by 5. Reverse coding was applied to the opposite types of questions.

An application of item correlation on the scale measuring risk perception revealed a value of less than 0.2 for the items “I take precaution to avoid risky investments”, “Younger aged individuals take more investment risk”, and “I avoid risky investments as I prioritize liquidity”. The variables were deleted from further analysis due to their low correlation (Abubakar et al., 2020; R. Singh & Bhattacharjee, 2019). The total number of variables considered for the study was 15.

Exploratory Factor Analysis, Spearman's Coefficient of Correlation, and Binary Logistics Regression were conducted for fulfilling the research objectives.

Table 1: Literature review consulted for questionnaire development.

Sl. No.	Item or Variables	Literature reviews consulted
1.	I take precaution to avoid risky investments	(Sindhu & S. Rajitha, 2014)
2.	Investments with high level of risk is similar to gambling	
3.	If I have more money I will take more investment risk	
4.	I depend on my broker for investment decision	
5.	I intend to invest based on the familiarity as it makes it less risky	
6.	Diversification of portfolio helps to reduce risks	
7.	Younger aged individuals take more investment risk	
8.	Higher rate of return implies higher risk	
9.	I avoid risky investments as I prioritize liquidity	

10.	The investment is associated with a high degree of safety	(Pasewark & Riley, 2010)
11.	Conservative investors find investment appropriate	
12.	The investment has high probability of repaying the principal at maturity	
13.	I am confident about my investment decisions	(Abdeldayem, 2015)
14.	If there is a chance to win huge profits then I am willing to take high risks	
15.	I possess good knowledge about stock market investment	
16.	I am optimistic about my financial success	(Dorn et al., 2008)
17.	I enjoy risky activities	
18.	I independently take the full responsibility of my investment outcomes	

FINDINGS OF THE STUDY

Reliability

The value of Cronbach's alpha was 0.785 which means the scale is reliable (Chawla & Sondhi, 2011).

Factor Analysis

Table 2: KMO and Bartlett's Test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.806
Bartlett's Test of Sphericity	Approx. Chi-Square	832.177
	df	105
	Sig.	.000

Since the KMO adequacy value is 0.806 and it is more than 0.5, factor analysis is considered relevant for the study. Bartlett's test of sphericity is significant as the p value is less than 0.05. Hence, the null hypothesis is rejected and it may be concluded that the correlation of coefficient matrix is significant (Hair et al., 2015). The sample size of 250 is appropriate as it represents five times the number of variables or items taken for the study. Factor analysis has been considered suitable for the given data set.

Table 3: Communalities.

	Initial	Extraction
Investments with high level of risk is similar to gambling	1.000	.552
If I have more money I will take more investment risk	1.000	.631

I depend on my broker for investment decision	1.000	.475
I intend to invest based on the familiarity as it makes it less risky	1.000	.545
I am optimistic about my financial success	1.000	.542
Diversification of portfolio helps to reduce risks	1.000	.416
I enjoy risky activities	1.000	.598
Higher rate of return implies higher risk	1.000	.471
If there is a chance to win huge profits then I am willing to take high risks	1.000	.548
The investment is associated with a high degree of safety	1.000	.592
Conservative investors find investment appropriate	1.000	.568
I am confident about my investment decisions	1.000	.663
The investment has high probability of repaying the principal at maturity	1.000	.514
I possess good knowledge about stock market investment	1.000	.602
I independently take the full responsibility of my investment outcomes	1.000	.518

Extraction Method: Principal Component Analysis.

The overall value of communalities is good ranging from 0.416 to 0.663.

Table 4: Total Variance Explained.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.	4.050	26.999	26.999	4.050	26.999	26.999	2.887	19.248	19.248
2.	1.740	11.599	38.598	1.740	11.599	38.598	2.069	13.796	33.044
3.	1.289	8.596	47.194	1.289	8.596	47.194	1.892	12.614	45.658
4.	1.155	7.701	54.895	1.155	7.701	54.895	1.386	9.237	54.895
5.	.858	5.721	60.616						
6.	.817	5.443	66.059						
7.	.811	5.410	71.469						
8.	.736	4.904	76.372						
9.	.680	4.531	80.903						
10.	.598	3.984	84.887						

11.	.531	3.539	88.426						
12.	.485	3.236	91.662						
13.	.466	3.106	94.768						
14.	.430	2.869	97.637						
15.	.354	2.363	100.000						

Extraction Method: Principal Component Analysis.

The above table reveals that the Eigenvalues of four components are more than 1 and these four components explain 54.8 percent of the total variance. In the field of social science, usually, a solution representing a variance of 60 percent or even less in certain cases is taken into consideration (Hair et al., 2015).

In factor analysis, a method of rotation is applied to the unrotated factor solution to produce a simpler and improved structure. Varimax rotation was applied and the improved rotated factor solution matrix sorted according to the size was obtained as output below.

Table 5: Rotated Component Matrix^a

	Component			
	1	2	3	4
If I have more money I will take more investment risk	.729	.186	.042	.250
I enjoy risky activities	.722	.220	-.047	-.164
I depend on my broker for investment decision	.659	-.010	.079	.186
I possess good knowledge about stock market investment	.656	.087	.096	-.393
If there is a chance to win huge profits then I am willing to take high risks	.641	.281	.155	.183
Diversification of portfolio helps to reduce risks	.455	.283	.358	-.031
Higher rate of return implies higher risk	.453	.357	-.149	.340
I am confident about my investment decisions	.094	.774	.234	.020
I am optimistic about my financial success	.214	.688	.034	.148
I independently take the full responsibility of my investment outcomes	.225	.681	.022	-.054
The investment is associated with a high degree of safety	.023	.094	.759	-.078
Conservative investors find investment appropriate	.143	-.080	.729	.101
The investment has high probability of repaying the principal at maturity	.013	.359	.614	.088
Investments with high level of risk is similar to gambling	.139	.106	-.086	.717
I intend to invest based on the familiarity as it makes it less risky	-.019	-.028	.387	.627

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Each item load significantly on one of the four factors. The loadings are within an acceptable range having a value of more than 0.45 (Hair et al., 2015).

Labeling the factors influencing risk perceptions

1. The first seven variables load significantly on the first factor. These are “If I have more money I will take more investment risk”, “I enjoy risky activities”, “I depend on my broker for investment decision”, “I possess good knowledge about stock market investment”, “If there is a chance to win huge profits then I am willing to take high risks”, “Diversification of portfolio helps to reduce risks” and “Higher rate of return implies higher risk”.

Assessment of these variables indicates a behavior that is receptive towards the risks but also reflects a calculated approach. A high probability of risk-taking based on the opportunity. Factor 1 may be labeled as “Risk Opportunist”. It indicates the awareness in terms of the tradeoff between return and risk.

2. The second factor comprises of next three variables with significant loadings. These include “I independently take the full responsibility of my investment outcomes”, “I am confident about my investment decisions” and “I am optimistic about my financial success” and Factor 2 may be labeled as “Overconfident Risk Bearer” since these variables highlight a conscious decision from the investors’ perspective where they are ready to take full ownership for their success or failure.

3. The third factor consists of three variables which are enumerated as “The investment is associated with a high degree of safety”, “Conservative investors find investment appropriate” and “The investment has a high probability of repaying the principal at maturity”.

“Unrealistic Anticipator” seems appropriate for the variables under factor 3 as the investors hold false expectations or beliefs towards the investment decision. It demonstrates a perception tending to irrational behavior.

4. The remaining two variables “I intend to invest based on the familiarity as it makes it less risky” and “Investments with high level of risk is similar to gambling” load significantly on the fourth factor.

These variables indicate the apprehensive attitude of investors who solely rely on their experience and comprehension of the investment scenario. Hence, Factor 4 may be aptly labeled as “Cognizant Pursuer” since it fully justifies an experience-based approach towards the investment decision.

Assessment of the impact of the factors influencing risk perception on the investment preference towards the equity shares

Binary Logistic Regression

A method of binary logistic regression was considered appropriate in order to understand the impact of the above-summarized factors on the risk perception of Sikkimese related to the equity share investment.

Regression model is shown below.

$$\text{Log}(Y) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

The dependent variable was defined as Y (0 for non-selection and 1 for the selection of the equity shares). Predictor or Independent variables represented as X1 = Factor 1 (Risk Opportunist), X2 = Factor 2 (Overconfident Risk Bearer), X3 = Factor 3 (Unrealistic Anticipator) and X4 = Factor 4 (Cognizant Pursuer).

β_0 represents constant. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 represent coefficients. μ represents the error.

Table 5: Omnibus Tests of Model Coefficients.

		Chi-square	df	Sig.
Step 1	Step	106.492	4	.000
	Block	106.492	4	.000
	Model	106.492	4	.000

The Omnibus Tests of Model Coefficients are significant since their p value is 0, which is less than 0.05. This suggests that the independent variables help predict the dependent variable.

Table 6: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	84.792a	.347	.649

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

The Pseudo R2 estimates reveal that the model fit is good. The given model accounts for 34 and 64 percent of the variance in the dependent variable

Table 7: Hosmer and Lemeshow Test.

Step	Chi-square	df	Sig.
1	1.851	8	.985

The Hosmer and Lemeshow tests reveal a value of 0.985, which is insignificant, indicating that the obtained model fit is acceptable and at a statistically significant level.

Percentage correctly classified is 92.4 percent which denotes that model holds good prediction.

Table 8: Variables in the Equation.

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1a	FAC1_1	2.431	.446	29.667	1	.000	11.367
	FAC2_1	1.172	.326	12.922	1	.000	3.230
	FAC3_1	.145	.323	.202	1	.653	1.156
	FAC4_1	-.791	.337	5.494	1	.019	.454
	Constant	-3.912	.561	48.711	1	.000	.020

a. Variable(s) entered on step 1: FAC1_1, FAC2_1, FAC3_1, FAC4_1.

All risk perception factors with the exception of Factor 3 (Unrealistic Anticipator) are significant at $p < 0.05$. Only three factors, Risk Opportunist, Overconfident Risk Bearer, and Cognizant Pursuer have a significant impact on the investment preference towards the equity shares. Therefore, further interpretation will be conducted for these three factors to evaluate their relationship with the predicted probabilities.

The original logistic coefficients of Factor 1 and Factor 2 are 2.431 and 1.172 respectively which indicates a positive relationship between these factors and predictive probabilities. This means odds of selection of equity shares increase with the increase in these values. Similarly, for Factor 4 and Constant, the logistic coefficients are -0.791 and -3.912 respectively which indicates the negative relationship so, the odds of selection of equity shares decreases. Now examining the exponentiated coefficients it is observed that for Factor 1, a unit increase in the predictor multiplies the odds of selection of equity shares by 11.367. Similarly, for factor 2 one unit changes in the predictor will reduce the odds of selection of equity shares by 223 percent. However, one unit change in Factor 4 will reduce the odds of non-selection of equity shares by 54.6 percent.

Determination of the relationship between financial information awareness and risk perception

Table 9: Correlations.

			FA_Equity Shares	Risk_Perception
Spearman's rho	FA_Equity Shares	Correlation Coefficient	1.000	.415**
		Sig. (2-tailed)		.000
		N	250	250
	Risk_Perception	Correlation Coefficient	.415**	1.000
		Sig. (2-tailed)	.000	
		N	250	250

** . Correlation is significant at the 0.01 level (2-tailed).

The coefficient of correlation reveals a significant positive relationship between financial information awareness of Sikkimese related to equity shares and risk perception. Hence, the null hypothesis is rejected. The strength of the relationship is moderate. As the financial information awareness increased from unaware to high awareness the risk perception also increased from low to high level. This result is in disagreement with the findings of (Parimalarani, 2018) who suggested that the investors perceived shares and bonds as highly risky due to low awareness. Financial information awareness is not equivalent to financial literacy which implies that although the investors may be aware of stock markets but may not necessarily possess the adequate knowledge required for undertaking investment decisions. This may be the reason for the financial awareness not having desired influence on the risk perceived by investors. The difference between financial awareness and in-depth knowledge has also been highlighted by (Vasagadekar, 2014).

CONCLUSION AND DISCUSSION

Ledoux explains the implication of behaviorism and cognitive science in understanding the psychological aspect of contradictory actions of people in complete retaliation to their choice of making a certain decision. Much emphasis has now been relegated to emotions and perceptions to better comprehend the decision process in investment-related matters (Forbes, 2009). The paper has extensively evaluated the influencing factors of risk perception and their impact on the investment towards equity shares.

The study identified three factors, and these are labeled as: risk opportunist, overconfident

risk bearer, unrealistic anticipator, and cognizant pursuer.

The Risk Opportunist indicates the positive perception towards the investment decision. The conjecture “If there is a chance to win huge profits then I am willing to take high risks” has been exemplified by Briggs et al. (2021) in the investigation of the relationship between the lottery prize and equity participation. The results revealed that the probability of stock market participation increased with the windfall gains. However, this is in contradiction with the Prospects theory which attaches greater importance to pain from loss than the pleasure with equal gain (Kahneman & Tversky, 1979). The beliefs of individuals shape the perception which in turn influences the investment in risky financial assets. Similarly, wealthy individuals observed higher risk tolerance with financial literacy leading to improved financial attitude. This is in sync with the statements on “If I have more money I will take more investment risk” and “Higher rate of return implies higher risk”. Individuals possessing good knowledge about stock market investment and having an idea about diversification rely on their financial knowledge for decision making and are relatively risk-tolerant in nature (Hermansson & Jonsson, 2021). To alter the perception of the share market as a risky investment alternative, Parimalarani (2018) emphasized increasing the awareness level of investors through financial literacy. I enjoy risky activities is related to gambling behavior where the investors associate risk with excitement (Razen et al., 2020).

The Overconfident Risk Bearer reflects the highly optimistic situation which makes the investors quite vulnerable and this factor relates

with the Overconfidence biasness as mentioned by Zahera and Bansal (2018).

Factor 3 representing Unrealistic Anticipator is reflected in the Isolation effect by Kahneman and Tversky (1979) as it also demonstrates the attractiveness of the guaranteed return option over the other alternatives having the same level of probabilities and outcomes.

Cognizant Pursuer denotes that when an individual is faced with an unfamiliar situation considers the proposition as equivalent to gambling. This factor does not completely agree with either risk aversion or ambiguity aversion. Risk-averse individuals attempt to avoid risky portfolios despite having awareness of the given alternatives. On the contrary, Cognizant Pursuer considers the alternative risky due to their unfamiliarity. Similarly, it is also devoid of self-assessed financial knowledge and poor reasoning which defines the concept of ambiguity aversion (Dimmock et al., 2016).

The results of the analysis are consistent with Virlics (2015) who posits that decision making incorporates a subjective perspective involving risk and uncertainty which is greatly influenced by psychological and emotional elements.

An assessment of the impact of the identified factors of risk perception on the preference towards equity shares investment reveals a significant positive relationship between the two factors namely, Risk Opportunist and Overconfident Risk Bearer, and the predicted probabilities. This implies that the more Risk Opportunist a person is greater will be the chance of equity investment. Similarly, an Overconfident Risk bearer too indicates a higher probability of the outcome.

However the same does not hold true for the third factor representing Unrealistic

Anticipator since it does not qualify as a good predictor of equity investment outcome due to its insignificant relationship. This reveals a perceptual fallacy with regard to investment scenarios exclusive of prominent events.

The fourth factor namely, Cognizant Pursuer attempts to translate the experience into a cautious approach which is evidently seen in its significant but negative relationship with the predicted outcome. However, this finding is consistent with the results derived by Dimmock et al. (2016) which also confirms the lower stock participation among the investors with higher ambiguity aversion.

The study concludes that there exists a significant impact of risk perception on the investment preference towards the equity shares. This conjecture has also been upheld by Nigam, Srivastava and Banwet (2019) who define risk perception as a subjective and qualitative assessment by investors regarding the characteristics and severity. The study highlights the presence of an inherent risk within the customers towards the product, which makes them perceive the stock market and its product as highly risky. On the contrary, Areiqat et al. (2019) argue that risk perception does not affect investment decisions in the Amman stock exchange. The difference in views may be attributed to the number of factors such as demographic variables and financial literacy rate which tends to vary from person to person and also from place to place. Further, there exists a significant positive relationship between financial information awareness and risk perception but in no way does financial information awareness lead to the decrease in risk perception of individuals.

The study provides a significant contribution to the literature on behavioral biases pertaining to risk perception. According to Grable, Joo and Kruger (2020) financial choices differed greatly with respect to the risk preference category, for instance, risk avoiders differed from risk seekers in terms of less willingness to invest in equities and high preference towards fixed return assets. The variation in the risk perception may help segregate the customers in terms of risk profile such as risk-takers and risk-averse investors. Therefore, it may help in the identification of investment instruments convenient for relative customers based on their community. Since risk-takers are more likely to invest in equities, bonds,

and mutual funds than risk-averse investors. The results may enable the investment brokers, advisors, companies, and policymakers to pitch the investment instrument and policies as per the risk capacity of an individual. There lies a scope for further studies focusing on the rural areas as these are the areas where the penetration of technology and social media has become quite visible in recent years. Risk perceptions vary from individual to individual hence; the study in other states may highlight different perspectives. The research discovering the broad spectrum of factors influencing the perception of individuals will also help in the identification of obstacles related to the investment decision.

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